

TOWNSHIP OF GRANT  
Mason County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

# Auditing Procedures Report

Instructions and MuniCodes

\*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. [V1.07]

Unit Name* GRANT	County* MASON	Type* TOWNSHIP	MuniCode* 53-1-060
Opinion Date-Use Calendar* 9-11-08	Audit Submitted-Use Calendar* 9-25-08	Fiscal Year End Month* 03	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies? 19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="checkbox"/> \$ 149,559.60
General Fund Expenditure:	<input type="checkbox"/> \$ 142,588.59
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	<input type="checkbox"/> \$ 286,103.54
Governmental Activities Long-Term Debt (see instructions):	<input type="checkbox"/> \$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* MARK	Last Name* CAMPBELL	Ten Digit License Number* 1101007803		
CPA Street Address* 512 N. LINCOLN, STE 100	City* BAY CITY	State* MI	Zip Code* 48708	Telephone* +1 (989) 894-1040
CPA Firm Name* CAMPBELL, KUSTERER	Unit's Street Address* 8969 N. US 31	Unit's City* FREESOIL	Unit's Zip* 49411	

TOWNSHIP OF GRANT  
Mason County, Michigan

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# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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BAY CITY, MICHIGAN 48707

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## **INDEPENDENT AUDITOR'S REPORT**

September 11, 2008

To the Township Board  
Township of Grant  
Mason County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Grant, Mason County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Grant's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Grant, Mason County, Michigan as of March 31, 2008, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF GRANT  
Mason County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2008

The Management's Discussion and Analysis report of the Township of Grant covers the Township's financial performance during the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2008, totaled \$356,887.54 for governmental activities.

Overall revenues were \$149,559.60 from governmental activities. Governmental activities had a \$15,835.01 increase in net assets.

We did not incur any debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund.

TOWNSHIP OF GRANT  
Mason County, Michigan  
CONDENSED FINANCIAL INFORMATION  
For the year ended March 31, 2008

	<u>Total Governmental Activities 2008</u>
Current Assets	287 014
Capital Assets	<u>70 784</u>
Total Assets	<u>357 798</u>
Current Liabilities	910
Non-current Liabilities	<u>-</u>
Total Liabilities	<u>910</u>
Net Assets:	
Invested in Capital Assets	70 784
Unrestricted	<u>286 104</u>
Total Net Assets	<u><u>356 888</u></u>

	<u>Total Governmental Activities 2008</u>
Program Revenues:	
Fees and Charges for Services	22 700
Capital Grants and Contributions	17 072
General Revenues:	
Property Taxes	36 947
State Revenue Sharing	61 299
Interest	9 079
Miscellaneous	<u>2 463</u>
Total Revenues	<u>149 560</u>
Program Expenses:	
Legislative	2 640
General Government	72 985
Public Safety	22 429
Public Works	26 722
Other	<u>8 949</u>
Total Expenses	<u>133 725</u>
Increase in Net Assets	15 835
Net Assets, April 1	<u>341 053</u>
Net Assets, March 31	<u><u>356 888</u></u>

TOWNSHIP OF GRANT  
Mason County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains strong. Our external debt is \$0.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for all of the Township's governmental services with total expenditures of \$142,588.59.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$14,255.00 in capital assets.

The Township has no long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk, Mary Jo Janowiak at (231) 464-5473 or Township Treasurer, Susan Merkey at (231) 464 5468.

TOWNSHIP OF GRANT  
Mason County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	282 112 45
Taxes receivable	<u>4 901 89</u>
Total Current Assets	<u>287 014 34</u>
NON-CURRENT ASSETS:	
Capital Assets	134 355 00
Less: Accumulated Depreciation	<u>(63 571 00)</u>
Total Non-current Assets	<u>70 784 00</u>
TOTAL ASSETS	<u><u>357 798 34</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	
Accounts payable	<u>910 80</u>
Total Current Liabilities	<u>910 80</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>910 80</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	70 784 00
Unrestricted	<u>286 103 54</u>
Total Net Assets	<u>356 887 54</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>357 798 34</u></u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF GRANT  
Mason County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2008

FUNCTIONS/PROGRAMS	Expenses	Program Revenue		Governmental Activities
		Charges for Services	Capital Grants - Contributions	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities:				
Legislative	2 639 39	-	-	(2 639 39)
General government	72 985 21	22 000 30	-	(50 984 91)
Public safety	22 428 42	700 00	17 072 00	(4 656 42)
Public works	26 722 37	-	-	(26 722 37)
Other	8 949 20	-	-	(8 949 20)
Total Governmental Activities	<u>133 724 59</u>	<u>22 700 30</u>	<u>17 072 00</u>	<u>(93 952 29)</u>
General Revenues:				
Property taxes				36 947 10
State revenue sharing				61 298 67
Interest				9 078 64
Miscellaneous				<u>2 462 89</u>
Total General Revenues				<u>109 787 30</u>
Change in net assets				15 835 01
Net assets, beginning of year				<u>341 052 53</u>
Net Assets, End of Year				<u>356 887 54</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GRANT  
Mason County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
March 31, 2008

	<u>Total (General)</u>
<u>Assets</u>	
Cash in bank	282 102 45
Taxes receivable	4 901 89
Due from other funds	<u>10 00</u>
Total Assets	<u><u>287 014 34</u></u>
<u>Liabilities and Fund Equity</u>	
Liabilities:	
Accounts payable	<u>910 80</u>
Total liabilities	<u>910 80</u>
Fund equity:	
Fund balances:	
Unreserved:	
Undesignated	<u>286 103 54</u>
Total fund equity	<u>286 103 54</u>
Total Liabilities and Fund Equity	<u><u>287 014 34</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GRANT  
Mason County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS

March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS 286 103 54

Amounts reported for governmental activities in the statement of  
net assets are different because –

Capital assets used in governmental activities are not financial resources and  
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost	134 355 00
Accumulated depreciation	<u>(63 571 00)</u>

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES 356 887 54

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GRANT  
Mason County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended March 31, 2008

	<u>Total (General)</u>
Revenues:	
Property taxes	36 947 10
Licenses and permits	4 776 27
Federal grant	17 072 00
State revenue sharing	61 298 67
Charges for services – PTAF	17 374 03
Charges for services – other	550 00
Interest	9 078 64
Miscellaneous	<u>2 462 89</u>
Total revenues	<u>149 559 60</u>
Expenditures:	
Legislative:	
Township Board	2 639 39
General government:	
Supervisor	5 782 67
Elections	1 275 29
Assessor	10 396 24
Attorney	371 35
Clerk	5 925 63
Board of Review	510 00
Treasurer	11 439 29
Building and grounds	13 529 48
Cemetery	13 527 90
Unallocated	7 687 36
Public safety:	
Fire protection	10 905 49
Planning and zoning	8 251 93
Liquor law enforcement	420 00
Public works:	
Highways and streets	25 600 19
Street lights	1 122 18
Other:	
Insurance	3 959 00
Retirement	4 534 80
Payroll taxes	455 40
Capital outlay	<u>14 255 00</u>
Total expenditures	<u>142 588 59</u>
Excess of revenues over expenditures	6 971 01
Fund balance, April 1	<u>279 132 53</u>
Fund Balance, March 31	<u><u>286 103 54</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GRANT  
Mason County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 6 971 01

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(5 391 00)
Capital Outlay	<u>14 255 00</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES 15 835 01

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GRANT  
Mason County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Grant, Mason County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Grant. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF GRANT  
Mason County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2007 tax roll millage rate was .7785 mills, and the taxable value was \$43,235,674.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Equipment	3-10 years

TOWNSHIP OF GRANT  
Mason County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.



TOWNSHIP OF GRANT  
Mason County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

Note 3 – Deposits and Investments (continued)

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>282 112 45</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	104 218 45
Uninsured and Uncollateralized	<u>179 076 08</u>
Total Deposits	<u>283 294 53</u>

The Township did not have any investments as of March 31, 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

TOWNSHIP OF GRANT  
Mason County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**Note 4 – Capital Assets**

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/07	Additions	Deletions	Balance 3/31/08
<u>Governmental Activities:</u>				
Land	1 000 00	-	-	1 000 00
Buildings	113 000 00	-	-	113 000 00
Equipment	6 100 00	14 255 00	-	20 355 00
Total	120 100 00	14 255 00	-	134 355 00
Accumulated Depreciation	(58 180 00)	(5 391 00)	-	(63 571 00)
Net Capital Assets	<u>61 920 00</u>	<u>8 864 00</u>	<u>-</u>	<u>70 784 00</u>

**Note 5 – Pension Plan**

The Township has a defined contribution pension plan covering all elected officials. The Township contributes fifteen percent of each participating employee's wages to the plan. During the year ended March 31, 2008, the Township's retirement plan contribution was \$4,534.80.

**Note 6 – Deferred Compensation Plan**

The Township does not have a deferred compensation plan.

**Note 7 – Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 8 – Building Permits**

The Township of Grant does not issue building permits. Building permits are issued by the County of Mason.

TOWNSHIP OF GRANT  
Mason County, Michigan

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
Year ended March 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
<b>Revenues:</b>				
Property taxes	39 000 00	39 000 00	36 947 10	(2 052 90)
Licenses and permits	6 200 00	6 200 00	4 776 27	(1 423 73)
Federal grant	16 000 00	16 000 00	17 072 00	1 072 00
State revenue sharing	45 580 00	45 580 00	61 298 67	15 718 67
Charges for services:				
Property tax administration	-	-	17 374 03	17 374 03
Other	1 000 00	1 000 00	550 00	(450 00)
Interest	4 500 00	4 500 00	9 078 64	4 578 64
Miscellaneous	<u>10 200 00</u>	<u>10 200 00</u>	<u>2 462 89</u>	<u>(7 737 11)</u>
<b>Total revenues</b>	<u>122 480 00</u>	<u>122 480 00</u>	<u>149 559 60</u>	<u>27 079 60</u>
<b>Expenditures:</b>				
Legislative:				
Township Board	4 200 00	4 200 00	2 639 39	(1 560 61)
General government:				
Supervisor	6 250 00	6 500 00	5 782 67	(717 33)
Elections	2 000 00	2 000 00	1 275 29	(724 71)
Assessor	13 000 00	13 000 00	10 396 24	(2 603 76)
Attorney	4 000 00	4 000 00	371 35	(3 628 65)
Clerk	10 250 00	10 250 00	5 925 63	(4 324 37)
Board of Review	1 000 00	1 000 00	510 00	(490 00)
Treasurer	14 450 00	14 450 00	11 439 29	(3 010 71)
Building and grounds	65 000 00	65 000 00	13 529 48	(51 470 52)
Cemetery	8 000 00	14 000 00	13 527 90	(472 10)
Unallocated	37 000 00	30 750 00	7 687 36	(23 062 64)
Public safety:				
Fire protection	16 800 00	16 800 00	10 905 49	(5 894 51)
Planning and zoning	35 000 00	35 000 00	8 251 93	(26 748 07)
Liquor law enforcement	600 00	600 00	420 00	(180 00)
Public works:				
Highways and streets	45 000 00	45 000 00	25 600 19	(19 399 81)
Street lights	1 200 00	1 200 00	1 122 18	(77 82)
Other:				
Insurance	4 000 00	4 000 00	3 959 00	(41 00)
Retirement	5 000 00	5 000 00	4 534 80	(465 20)
Payroll taxes	700 00	700 00	455 40	(244 60)
Capital outlay	<u>17 000 00</u>	<u>17 000 00</u>	<u>14 255 00</u>	<u>(2 745 00)</u>
<b>Total expenditures</b>	<u>290 450 00</u>	<u>290 450 00</u>	<u>142 588 59</u>	<u>(147 861 41)</u>
<b>Excess of revenues over expenditures</b>	<u>(167 970 00)</u>	<u>(167 970 00)</u>	<u>6 971 01</u>	<u>174 941 01</u>
<b>Fund balance, April 1</b>	<u>167 970 00</u>	<u>167 970 00</u>	<u>279 132 53</u>	<u>111 162 53</u>
<b>Fund Balance, March 31</b>	<u>-</u>	<u>-</u>	<u>286 103 54</u>	<u>286 103 54</u>

TOWNSHIP OF GRANT  
Mason County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year ended March 31, 2008

	<u>Balance</u> <u>4/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/08</u>
<u>Assets</u>				
Cash in Bank	10 00	1 395 531 83	1 395 531 83	10 00
Total Assets	<u>10 00</u>	<u>1 395 531 83</u>	<u>1 395 531 83</u>	<u>10 00</u>
<u>Liabilities</u>				
Due to other funds	10 00	47 587 89	47 587 89	10 00
Due to other units	<u>-</u>	<u>1 347 943 94</u>	<u>1 347 943 94</u>	<u>-</u>
Total Liabilities	<u>10 00</u>	<u>1 395 531 83</u>	<u>1 395 531 83</u>	<u>10 00</u>

# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

September 11, 2008

To the Township Board  
Township of Grant  
Mason County, Michigan

We have audited the financial statements of the Township of Grant for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Grant in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement "

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Grant  
Mason County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

The Township's system of internal control is affected by the size of staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2008.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants